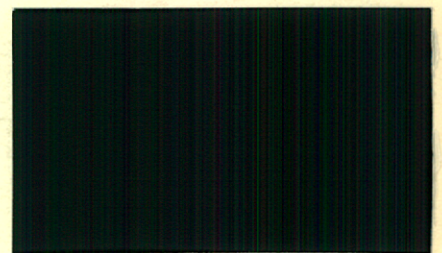



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ANNUAL REPORT 1965




**THE
BORDEN
COMPANY**


BOARDS




"Food customizing," promoted during year, changes taste or appearance of a basic dish or recipe by adding non-critical ingredients. Thus, None Such mince meat makes spicy Chinese-style shrimp sauce.




Capacity for basic chemicals was substantially increased with construction of a new methanol plant in Argentina and additions to vinyl acetate monomer and methanol plants in Louisiana.




Statuary located on grounds of Gallina Blanca food plant near Barcelona pays tribute to the housewives of Spain.



After processing, preserves undergo final inspection at newly finished Birmingham, Ala., plant of The Bama Co.



Both new, both soft: live baby lamb and White Lamb disposable tissue diapers.



New designs were developed for packages in the Borden ice cream line, featuring photographs in full color.

YEAR IN REVIEW

January						
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JANUARY: 11 Largest milk processing plant in Connecticut, at Stratford, begins operations. 14 "Singly Wrapped" process cheese slices introduced. **FEBRUARY:** 3 Plans announced for ammonia and urea plants at Geismar, La. 23 Directors propose 2-for-1 stock split; effective May 7. 25 Comstock introduces canned, ready-to-use chocolate pudding and chocolate pie filling, first such products in U. S. **MARCH:** 12 Start of construction of agricultural products complex in Florida announced. 23 Borden President's Award for Safety, for million miles of accident-free driving, presented to first of four plants to receive award in 1965.

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APRIL: 1 Group Long Term Disability Insurance Plan added to benefits program for U. S. employees. 27 Directors vote increase in quarterly dividend from 26¼ cents to 27¼ cents a share, fifth raise in 24 months. **MAY:** 10 Second offering made to employees under Employees Stock Purchase Plan. 12 Announce agreement in principle for acquisition of Henderson's Portion Pak, Inc. 17 Company's 21st annual safety conference begins, in Toronto, Ont. 19 Plans for expansion of synthetic resins capacity at Kent, Wash., announced. **JUNE:** 7 Wyler's Dutch chocolate flavored drink mix introduced. 29 Plans announced for new dairy plant at London, Ont.

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JULY: 1 Combination can manufacturing plant and central warehouse opens at Lyons, N. Y. 8 Plans announced for methanol plant at Geismar using centrifugal compressors, first of its kind in industry. 21 Announce contract for acquisition of The Bama Company. **AUGUST:** 5 Disclose plans for new synthetic resins plant at Diboll, Tex. 18 Report agreement in principle for acquisition of Krylon, Inc. 31 Elsie gives birth to 34-pound heifer. **SEPTEMBER:** 1 Company pays 222nd consecutive dividend, first on newly split stock. 14 Announce agreement in principle for acquisition of Columbus Plastic Products, Inc. 21 Company host to more than 150 newspaper food editors during their 23rd annual conference.

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OCTOBER: 1 Ground broken for new milk processing and ice cream distribution plant at Fresno, Calif. 17 World's Fair exhibit closes; 7,470,000 visitors in two seasons. **NOVEMBER:** 1 Announce plans to purchase Ozon Products, Inc. 4 Cremora Whip, non-dairy dessert topping, moves out of test markets into Northeast states. 11 Automated cheese-making equipment goes into operation at Van Wert, O. 15 New methanol plant in Argentina completed. **DECEMBER:** 1 Production of refrigerated dough products for South and Southwest centralized in expanded plant at East Point, Ga. 6 Announce completion of expansion of Resinite vinyl film facilities at West Hill, Ont.

THE BORDEN COMPANY

1965

ANNUAL REPORT

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Board of Directors

HARRY L. ARCHER, *Executive Vice President*
COURTNEY C. BROWN, *Dean*
Graduate School of Business
Columbia University
WALKER G. BUCKNER
Partner in investment firm, Buckner & Co.
HAROLD W. COMFORT, *Former President*
FRANCIS R. ELLIOTT, *President*
J. ROY GORDON, *President*
The International Nickel Co. of Canada, Ltd.
MORRIS HADLEY
Member of law firm
Milbank, Tweed, Hadley & McCloy
LESTER LE FEBER, *Former President*
Gridley Dairy Company
MADISON H. LEWIS
Former Chairman, East District
AUGUSTINE R. MARUSI
Executive Vice President
THEODORE G. MONTAGUE
Former Chairman and President
WILLIAM S. RENCHARD, *Chairman*
Chemical Bank New York Trust Company
HOWARD C. SHEPERD
Former Chairman, First National City Bank
LAWRENCE A. WIEN
Member of law firm, Wien, Lane & Klein
ROY D. WOOSTER, *Former Chairman*

EXECUTIVE COMMITTEE:

Mr. COMFORT, *Chairman*; Messrs. ARCHER, ELLIOTT, GORDON, LEWIS, MARUSI, MONTAGUE, SHEPERD and WOOSTER, *permanent members. Other Directors serve in rotation.*

FINANCE COMMITTEE:

Mr. MONTAGUE, *Chairman*; Messrs. COMFORT, ELLIOTT, HADLEY, LEWIS, RENCHARD, SHEPERD and WOOSTER.

COMMITTEE ON AUDIT:

Mr. LEWIS, *Chairman*; Messrs. BUCKNER, GORDON, HADLEY, RENCHARD and SHEPERD

PENSION COMMITTEE:

Mr. WOOSTER, *Chairman*; Messrs. ARCHER, COMFORT, ELLIOTT, LEWIS, MARUSI and MONTAGUE.

Highlights



	1965	Change	1964
Net sales	\$1,385,518,426	+ 7.1%	\$1,293,439,144
Net earnings	\$ 50,912,364	+11.9%	\$ 45,485,901
per share	\$2.03	+ 8.6%	\$1.87
Cash dividends	\$ 27,492,631	+13.8%	\$ 24,149,280
per share	\$1.09½	+ 9.5%	\$1.00
Working capital	\$ 227,845,678	+14.2%	\$ 199,583,852

Note: Except for cash dividends per share the 1964 figures include Smith-Douglass Company, Incorporated, which was combined with The Borden Company in a pooling of interests in 1964. Earnings and dividends per share are adjusted for the 2-for-1 stock split, effective May 7, 1965.

Officers

FRANCIS R. ELLIOTT, *President*
HARRY L. ARCHER, *Executive Vice President*
AUGUSTINE R. MARUSI
Executive Vice President
THOMAS W. BIGGS, *Vice President*
CECIL I. CROUSE, *Vice President*
MILTON FAIRMAN, *Vice President*
RAYMOND J. KUNZ, *Vice President*
THEODORE G. MONTAGUE, JR.
Vice President
WALTER R. OLMSTEAD, *Vice President*
EDWIN S. PATIENCE
Vice President & Treasurer

JACK B. PENTZ, *Vice President*
EUGENE J. SULLIVAN, *Vice President*
DOUGLAS T. ORTON, *Secretary*
LOUIS CSENGE, *Assistant Vice President*
E. CLARK DAVIS, *Assistant Vice President*
HARRY N. WEBSTER, *General Controller*
ROBERT G. BELL
General Auditor & Assistant Treasurer
HARRY F. BREMER, *Assistant Treasurer*
RICHARD J. MCGOLDRICK
Assistant Treasurer
KENNETH J. NEAGLE, *Assistant Secretary*
FRANCES I. REILLY, *Assistant Secretary*

Board of Officers

Mr. ELLIOTT, *Chairman*; Messrs. ARCHER, BIGGS, CROUSE, CSENGE, FAIRMAN, KUNZ, MARUSI, MONTAGUE, JR., OLMSTEAD, ORTON, PATIENCE, PENTZ, SULLIVAN and JEAN J. CHAREST, *President, The Borden Company, Limited.*

Corporate Data

EXECUTIVE OFFICES: 350 Madison Avenue, New York, N. Y. 10017

COUNSEL: Milbank, Tweed, Hadley & McCloy, 1 Chase Manhattan Plaza, New York, N. Y. 10005

CAPITAL STOCK DATA: Transfer Agent, The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York, N. Y. 10015; Dividend Disburser, The Borden Company, 350 Madison Avenue, New York, N. Y. 10017; stock listed on the New York Stock Exchange.

Message to Stockholders and Employees



The year 1965 was one of significant accomplishment for our Company. It was a year of continued diversification of our business, as we again expanded our activities in the fields of chemicals and specialty foods, thereby increasing their relative contribution to our total sales and profits. It was also a year of preparation for the future: plans were made and steps taken that should further improve our operating efficiency, product mix, and marketing and distribution practices not only in 1966 but in subsequent years as well.

The past year was the most successful in the Company's 109-year history. Earnings reached an all-time high for the tenth consecutive year; sales were at record levels for the seventh consecutive year. Over-all, our raw-product and labor costs were higher, but these were more than offset by record volume, increased emphasis on higher-margin specialties in our product mix, improved operating efficiencies, and a lower Federal tax rate. As a result, the rate of profit per dollar of sales improved to its highest level in 26 years.

A vigorous national economy created a healthy climate for our performance during the year, as it did for all business. At the same time, however, the economy was subjected to inflationary pressures as the unemployment rate declined and manufacturing output approached capacity. These pressures were felt in the business community in the form of higher costs for labor and materials. To help offset the increased costs experienced within the Company, we expanded those activities directed toward improving the productivity of our operations. For example, the new plants and equipment that we obtained—the value of which was the highest on record—enabled us to expand capacity, modernize existing facilities, and consolidate certain of our operations into fewer, larger, more strategically located plants. Also, we stepped up our research and development program, which, in addition to its primary function of providing new and improved products, furnished us with improved production methods and packaging materials and design.

The performance of our foreign unconsolidated operations was highly satisfactory, with both their sales and our equity in their net operating income reaching the highest levels on record. The steady growth of our overseas operations merits our full and vigorous efforts in the continued active development of their maximum potential.

These efforts will be fully compatible with the current voluntary program to improve the nation's balance of payments, in which we, as a member of the business community, are now cooperating. While we believe the continued cooperative efforts of American business will contribute to an improvement in the balance of payments—which is of fundamental importance to the nation's economic well-being—we feel that in time a more constructive and permanent solution need be found.

As to the Company's outlook for 1966, on the basis of the present impressive strength of the economy, and the growing conviction of its continuance as reflected in a broadening consensus of economic observers, we are optimistic that the Company will again experience significant gains in sales and earnings, since the external and internal factors that contributed to our performance in the past year should be present in equal or greater measure.

We are deeply grateful to those whose efforts made possible the Company's growth and progress during 1965: the men and women of the Borden organization, the members of the Board of Directors, and the stockholders. Their loyalty, interest, support and confidence were of immeasurable help in the conduct of the Company's affairs.

A handwritten signature in dark ink, appearing to read "John R. Borden". The signature is fluid and cursive, with a long horizontal line extending to the left.

President



THE BORDEN COMPANY ANNUAL REPORT 1965

Record Sales and Profits

Showing further substantial increases again in 1965, our sales and profits reached their highest levels in the 109-year history of the Company.

Sales, increasing for the seventh consecutive year, rose 7.1% to \$1,385,518,426, from \$1,293,439,144 in 1964.

Total earnings and earnings per share improved for the tenth successive year. At \$50,912,364, net profit was 11.9% above income of \$45,485,901 a year earlier, while earnings per share of \$2.03 were 8.6% above the \$1.87 earned in 1964, after making adjustment for a 2-for-1 stock split.

Our rate of profit per dollar of sales, a measure of efficiency, was 3.67 cents, which is the highest in 26 years. For the previous year, the rate was 3.52 cents, and in the ten-year period through 1964 it averaged 2.91 cents.

Stock Split, Dividend Increased

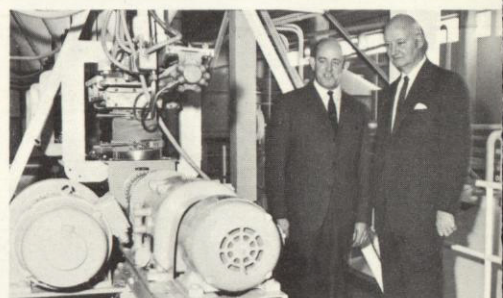
At the Annual Meeting on April 21, stockholders approved a 2-for-1 stock split, which became effective May 7. On June 1 the quarterly dividend payment was increased from 26 $\frac{1}{4}$ cents to 27 $\frac{3}{4}$ cents a share (adjusted for the stock split). The December payment, our 223rd consecutive cash dividend, brought the total paid in 1965 to \$1.09 $\frac{1}{2}$ per share adjusted, compared with the equivalent of \$1.00 per share in 1964.

On Jan. 25, 1966, the Board of Directors declared an increase in the quarterly dividend to 30 cents a share, payable March 1, 1966, bringing the annual dividend rate to \$1.20 a share from \$1.11 per share prior to the increase.

Working Capital Rises

During the year current assets increased \$33,921,776 and on Dec. 31 stood at \$350,580,876. Current liabilities increased \$5,659,950 and at year end were \$122,735,198. Thus \$28,261,826 was added to working capital, increasing it to \$227,845,678 from \$199,583,852 a year earlier and making the current ratio 2.86 to 1, compared with 2.70 to 1 for 1964.

In September, Borden President Francis R. Elliott visited the Company's European operations in six countries. In photo at left, personnel and guests inspect soldering operation at milk powder packaging plant of The Borden Company Ltd. (Ireland) at Mallow, County Cork. Top right, Mr. Elliott (left) visits plastic tooling department of Leicester, Lovell & Co. Ltd., near Southampton, England, with John King, marketing manager. Center, Mr. Elliott and J. Helmer Larsen, managing director of The Borden Company A/S Denmark, at Esbjerg, inspect milk powder storage tanks. Bottom, Mr. and Mrs. Elliott join key personnel of Weber GmbH & Co. KG in front of bakery at Plungstadt, Germany. From left, Frederick Weber, in charge of production; Mr. and Mrs. Elliott; Wilhelm Weber, managing director; Ernst Weber, in charge of sales. Mr. Elliott also visited plants in France and Spain.



Business Abroad Improves

Benefiting from the generally favorable business climate of the countries in which they operate, our unconsolidated foreign operations established record highs in sales and operating net income.

Sales of these subsidiaries totaled \$112,044,584, an increase of 17.3% from the previous high of \$95,484,613 in 1964. Our equity in their net income was \$5,600,605, compared with \$4,087,906 a year earlier. This is after providing for an "unrealized exchange loss" of \$903,280 for 1965, against a similar charge of \$1,892,008 for 1964. An unrealized exchange loss or gain results from the translation of net

current assets to their U. S. dollar equivalent at rates of exchange prevailing at year end.

After applicable U.S. income taxes, dividends paid to the Company and included in its net income amounted to \$3,196,944, against \$2,764,837 in 1964. At year end, our equity in the net assets of our unconsolidated foreign operations exceeded our investment by \$29,972,757.



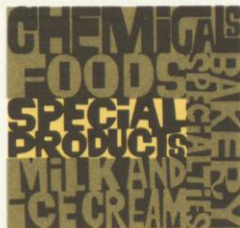
Growth Program Broadens

The growing size and diversity of the Company's business was reflected in a vigorous program of plant construction, expansion and modernization carried out during the year. In addition, the Com-

pany's operations were further strengthened and broadened by the acquisition of several well-established firms whose business, benefiting from our experience and financial resources, should further our growth in the future.

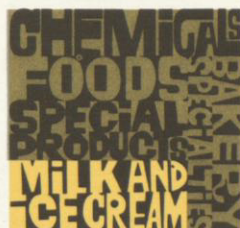
In 1965 we secured about \$75,000,000 worth of plant and equipment for consolidated operations. Of this amount, depreciation and depletion accruals provided about \$24,000,000 and \$13,700,000 came from retained earnings. Approximately \$37,300,000 worth of equipment was leased.

In 1966 we plan to add a further \$82,000,000 worth of new plant and equipment in the United States and Canada, although certain projects now under consideration might require increasing this amount during the year. Of the budgeted amount, approximately \$25,800,000 will be furnished by depreciation and depletion accruals and



The Borden Special Products Company handles the most diversified product line of any Division. It includes feed supplements, ethically promoted nutrition products such as Bremil and Mull-Soy infant foods and ready-to-feed formulas, dermatological products, vitamin-mineral food fortifiers, confectionary and ice cream ingredients and fountain specialties, bakers' ingredients, dairy and food plant sanitizers and lubricants, and cosmetics. This Division markets the Marcelle, John Robert Powers, and Ozon lines of cosmetics and toiletries. In 1965 it introduced nationally more than 100 new items in these lines, including a John

Robert Powers collection of 17 men's grooming aids; Marcelle Obscure, a white creme makeup for hiding dark circles under the eyes, and collections of new lipstick shades.



In addition to development work that improved the flavor and keeping characteristics of its basic fresh dairy line, Borden's Milk and Ice Cream Company also further expanded the number of its products. It substantially broadened distribution of three new items: fresh milk shakes, and canned sterilized egg nog and whipping cream. It also began production and distribution of yogurt in several areas. Two vegetable-based cream substitutes were test marketed: Tang-Y, an imitation sour cream, and Wake-Up, an imitation fluid coffee cream. Nine new flavors of Borden and Lady Borden ice cream were introduced nationally. Three new variations of Tic Tac Toe ice cream were marketed, as were a number of new frozen novelty items. New designs were developed for packages in the Borden ice cream line.

\$17,900,000 by retained earnings. About \$38,300,000 worth of equipment will be leased.

Chemical Expansion

The Borden Chemical Company's building program has a two-fold purpose: short-range, to increase productive capacity to keep pace with rising demand and expand into new areas of business; and long-range, to bring about maximum integration of manufacturing facilities to improve efficiency.

A substantial part of Borden Chemical's expansion activities are concentrated at its Geismar, La., petrochemical complex. In 1965 it completed the first stage of a projected three-stage expansion of methanol facilities there, increasing annual capacity to 70,000,000 gallons with another 10,000,000 gallons scheduled to go "on stream" in 1966. In addition, an engineering design contract was let for a new methanol plant on the site; it will

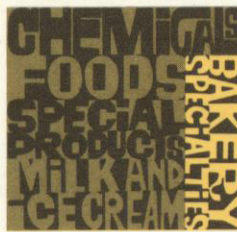
be the first known plant of its kind to use highly efficient centrifugal compressors, as opposed to the conventional reciprocating type. Facilities for another basic chemical, vinyl acetate monomer, were also expanded, increasing annual capacity by two thirds to 75,000,000 pounds.

Integration of the Geismar complex was further advanced as work progressed on a plant for acetic acid, which is used in the manufacture of vinyl acetate monomer. Scheduled to go into production about July, 1966, it will have a capacity of 67,000,000 pounds a year. Also under way there are related plants for the manufacture of ammonia (processed from natural gas and used in fertilizers) and urea (made from ammonia and used in fertilizers and adhesives). Rated at a daily capacity of 1,000 tons of ammonia and 500 tons of urea, the plants are targeted for

commercial operation by early 1967.

Both integration and expansion of Borden Chemical's agricultural products operations moved ahead in 1965. To better serve farm customers with fertilizers, 188 field sales outlets were added. At Coronet, Fla., a plant for the production of defluorinated phosphates, which are used in feed supplements, was enlarged, and in Manatee County, Fla., construction began on a complex with an annual design capacity of 140,000 tons of phosphoric acid, 184,000 tons of granular high-analysis fertilizer, and 385,000 tons of sulphuric acid. This complex is scheduled to go into commercial production late in 1966.

Facilities for the production of intermediate and end-product chemicals were also increased. A new vinyl calender was installed at Columbus, O., where such products as vinyl sheeting and Wall-Tex and Satinesque wallcoverings are manu-



Founded in 1902, **Drake Bakeries** was established as a Division of the Company in 1962. It serves a ten-state area from Maine to Maryland out of plants located at Brooklyn and Long Island City, N. Y.; Roxbury, Mass., and Irvington, N. J. Its product line includes bakery specialties sold under such well known brand names as Yankee Doodles, Ring Dings, Devil Dogs, Funny Bones, and Yodels. In 1965 Drake placed in New England test markets Ring Ding Jr., a miniature creme-filled, chocolate-coated, foil-wrapped cake, and expanded distribution of its product line to several hundred supermarket outlets of major food retailers.

factured; the equipment increased the plant's capacity by more than 25%. At Illiopolis, Ill., facilities were added for the manufacture of Resinite PVC (polyvinyl chloride) film, which is used for in-store packaging of red meats and produce and industrial packaging of soft goods. Similar facilities at Compton, Calif., were enlarged.

To furnish adhesives for the growing Southern pine plywood industry, which is forecasting an annual output of two billion square feet of plywood and particle board by 1967, Borden Chemical built a plant at Diboll, Tex., for the manufacture of thermosetting resins; it was completed in January, 1966. In the Far West, construction was started on a plant at La Grande, Ore., that will have an annual capacity of 40,000,000 pounds of formaldehyde and a daily capacity of up to 250,000 pounds of resins. Scheduled for operation late in 1966, it will serve plywood producers in sections of Oregon, Washington, Montana and Idaho.

Construction activity will move at an accelerated pace in 1966. In addition to projects in process, Borden Chemical will undertake several additional ones, among them the expansion of formaldehyde capacity at Sheboygan, Wisc., to 120,000,000 pounds annually, a 150% increase; the construction of a vinyl calendering plant at Fremont, Calif., to complement the operation at Columbus, O.; the enlargement of PVC facilities at Leo-

minster, Mass., and the installation of new equipment at North Andover, Mass., for PVC extrusion.

Steps were taken during 1965 to further diversify the Chemical Company's operations through the acquisition of complementary product lines and facilities. Negotiations were undertaken with Krylon, Inc., of Norristown, Pa., a manufacturer of aerosol-packaged protective coatings for automotive, household, industrial and electronic use, and with Columbus Plastic Products, Inc., of Columbus, O., a leading manufacturer of molded thermoplastic housewares. Early in 1966 the property and assets of Krylon were acquired for 245,000 shares of Borden stock, and those of Columbus Plastic for 352,533 shares.

In keeping with established practice, these and other acquisitions are made not only to broaden and strengthen the Company's operations, but primarily to enhance the Company's earnings — each share issued for an acquisition is on the basis that it will earn more than the average of our shares outstanding.

Growth in Foods

The Borden Foods Company during the year added cheese-making and warehouse facilities at its Van Wert, O., plant, which is the source of our Camembert, Liederkranz Brand, and cream cheeses. Equipment for processing canned chocolate drinks and milk shakes was installed at Wellsboro, Pa., and Modesto, Calif., and storage facilities were substantially increased at

the Lewisburg, Tenn., evaporated milk plant. A new can manufacturing plant, which serves also as a central warehouse, was formally opened at Lyons, N.Y. At Plymouth, Wisc., new lines were added for the processing of individually wrapped cheese slices. Plans are under way to equip a new plant for the manufacture of Swiss cheese at Turtle Lake, Wisc., with completion scheduled for late 1966.

Borden Foods' Cracker Jack Division completed a major equipment expansion at its Chicago, Ill., plant, installing additional facilities for the manufacture and packaging of Cracker Jack and marshmallows. The F. H. Snow Division added equipment at Pine Point, Me., for the production of onion-flavored snack foods. The Comstock Division completed a major alteration of its bean-processing facilities at Egypt, N.Y. The Old London Division enlarged its facilities at Mohnton, Pa., and began construction of a new plant in New York City, which is expected to be completed in late 1966 or early 1967.

Borden Food's operations were extended into new product areas by two acquisitions during 1965: The Bama Company, for 400,000 shares of Borden stock, and Henderson's Portion Pak, Inc., for 388,904 shares. Bama, with headquarters and a plant in Birmingham, Ala., and a second plant in Houston, Tex., manufactures an extensive line of jams, jellies, preserves, peanut and apple butter,

Plant efficiency was increased by the installation of modern equipment, such as this continuous ice cream freezer at Columbus, O., one of six in the U. S. Teamed with the packaging line, its capacity is 1,500 gallons per hour.

The Fischer Quintuplets were featured in advertising in behalf of our food and baby-care products. Mary Ann, Mary Margaret, James Andrew, Mary Magdalene, and Mary Catherine are shown at play in their Aberdeen, S. D., home.

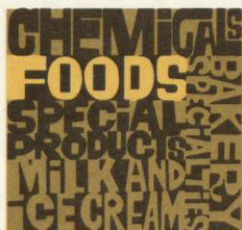
and salad dressings, distributed in the South and Southwest. Henderson's processes portion-size meat, fish and seafood items, which are marketed to restaurants and other mass feeding establishments. Its headquarters and main processing plant are in Coral Gables, Fla. It also operates meat processing and freezing plants in Australia and Puerto Rico, and seafood processing and freezing plants in Panama, Costa Rica, and French Guiana. Henderson's products are distributed in 41 states, Puerto Rico, and several European countries.

Other Operations

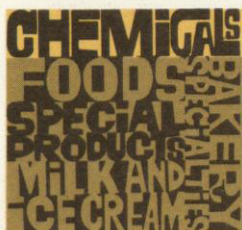
Continuing its program providing for more efficient consolidated plants, Borden's Milk and Ice Cream Company in 1965 began operations in two newly constructed milk processing plants, at Lafayette, La., and Stratford, Conn., and broke ground for a new milk processing and ice cream distribution plant at Fresno, Calif. Modernization and expansion programs were carried out in several other cities. Scheduled for construction in 1966 is a new milk processing plant at Lexington, Ky., while major expansions will be conducted at a half score other locations.

The Borden Special Products Company in 1965 completed extensive improvements at its nutrition products plant at Elgin, Ill. It also acquired property adjacent to its Hampshire, Ill., plant which will permit further expansion of its feed supplements operations, and fur-





The Borden Foods Company introduced individually wrapped process cheese slices; test-marketed "Little 10" refrigerated, ready-to-bake biscuits; added three flavors of canned, refrigerated milk shakes; began limited distribution of Cremora Whip, a non-dairy dessert topping, and White Lamb disposable tissue diapers, its first non-food product. Its divisions made these contributions: Wyler's — a Dutch chocolate flavored drink mix and low calorie orange and grape drink mixes; Comstock — canned, ready-to-use chocolate pudding and pie filling; Greenwood's — boiled onions in glass; Snow's — Onion Crisps, a snack food; Old London — Nutty Doodles, a corn puff confection. Borden Foods also handles evaporated and condensed milks, instant coffee, mince meat, instant potatoes, and powdered and liquid chocolate drinks. Its divisions market such other well known consumer items as Aunt Jane's pickles, Bama preserves and salad dressings, Brandywine mushrooms, Cracker Jack, ReaLemon reconstituted lemon juice, Tropical glacé fruits, and Wise potato chips.



Customers of The Borden Chemical Company range from the housewife to such major industries as plywood, paper coating, paint, transportation, agriculture, packaging, and foundry. Its product line extends from consumer items such as Elmer's Glue-All, Wall-Tex vinyl wallcoverings, Krylon aerosol paints, and Mystik tapes to basic raw materials that include methanol, vinyl chloride and vinyl acetate monomers, and formaldehyde. Its line of finished industrial goods includes Resinite PVC packaging film, Colovin vinyl upholstery materials and laminates, and Krylon protective coatings. Product activity in 1965 included numerous formulations and compounds tailored to specific customer requirements, as well as several industrial and consumer items.

ther mechanized its Morristown, N. J., facility to improve the handling and shipment of John Robert Powers cosmetics.

Steps were taken to expand the Special Products Company's activities in the cosmetics and toiletries field, culminating in the acquisition of Ozon Products, Inc., early in 1966 for 178,143 shares of Borden stock. Ozon, with headquarters in Brooklyn, N. Y., manufactures and distributes more than 100 toiletry items, including such preparations as hair sprays, shampoos, hair colorings, perfumes, shaving cream, and after-shave lotion.

Growth Abroad

Major projects were completed by our foreign unconsolidated subsidiaries. At Pilar, near Buenos Aires, our Argentine chemical affiliate, Cia Casco S.A.I.C., finished construction of a methanol plant with a capacity of 50 metric tons

a day, while at Cali, Colombia, facilities were installed that will provide the first production of phenolic molding powders in that country. The Borden Chemical Company (Philippines), Inc., completed a formaldehyde plant at Davao City, Mindanao Island. In Europe, our British subsidiary, Leicester, Lovell & Co. Ltd., motivated by the parent Company's success with Resinite PVC film, constructed a plant near Southampton that began manufacture of the product late in the year.

Scheduled for 1966 are a Resinite packaging film plant at Sydney, Australia, to be built by the Borden Chemical Company (Australia) Pty. Ltd., and the expansion of methanol, formaldehyde and resin facilities by Alba, S. A., in Brazil.

Scheduled developments in overseas food operations include the expansion of milk receiving and milk powder manufacturing facilities

ties in Venezuela, and enlargement of the shrimp fishing fleet and shrimp processing facilities in French Guiana, which are operated by Henderson's Portion Pak.



New-Product Marketing

Our high rate of success in launching new food and dairy products is the result of careful planning and testing. Before a new product is introduced, evidence of consumer need is first obtained. Then follows research and development of the product in the laboratory, marketing research to measure the product's sales potential and to gauge consumer acceptability of its qualities and characteristics,



Following a 2-for-1 stock split effective May 7, certificates for 12,482,521 additional shares were mailed to stockholders.



Production facilities were expanded for Resinite PVC film, used to package red meats and produce as well as textiles.



The important vending-machine market was reached by our refrigerated milk shakes, marketed in sanitary pull-tab-lid cans.

and, finally, test marketing involving sales effort to gain a place on store shelves or in dairy cases, along with extensive advertising and promotional support.

To further assure our success with new products, and reduce their introductory costs, the Borden Foods Company, among other moves, stepped up activities of its Research and Development Steering Committee, which evaluates the economic potential and financial requirements of a product in advance of its submission for laboratory research, and realigned its sales districts to provide closer coordination between marketing and sales and better control of product introductions on a market-by-market basis. The new alignment of sales districts makes them particularly suited to a "group system" of product introduction, whereby several new products in a market share

in an over-all sales, advertising, and promotional effort. Borden's Milk and Ice Cream Company also stepped up activities of its National Marketing and Product Research and Development Committees, established to more closely coordinate the two functions.



Promotional Activities

In their use of media, our divisional and corporate advertising programs reflected the wide diversity of the Company's products, their appeal to people of differing ages and interests, and their geographical patterns of distribution. Virtually all media were used — local newspapers, general- and

women's-interests national magazines, direct mail, business and trade press, and local and national radio and television. Several consumer contests were conducted by our Divisions.

Our corporate advertising campaign completed its fourth year of daytime television on the NBC and ABC networks, providing support to 32 consumer products of three Divisions, as well as promoting the corporate symbol of Elsie the Cow.

An estimated 7,470,000 people visited our exhibit at the New York World's Fair during its two seasons. Of these, 1,831,071 attended 11,228 performances of the musical revue, "All About Elsie," which featured the live Elsie the Cow. There were 5,046 in-use demonstrations of the Company's dairy and food products. Although total Fair attendance declined in the second season, the number of visitors to



At San Juan Despi, near Barcelona, is the plant of Gallina Blanca, S. A., our Spanish subsidiary. In main building, salt products (caldos, bouillons, soups) are made in left wing, where additional

equipment is being installed; sweet products (pudding-type desserts, powdered fruit drinks, ice cream mix) are made in right wing. Center section has offices and laboratories. In second

building, section at left houses drying equipment used in the manufacture of a coffee substitute; several ingredients used in finished products are processed in section at right.

the Elsie show increased by 27% to more than 1,000,000.



Changes In Board And Management

Roy D. Wooster, Chairman of the Board of Directors, retired Oct. 1, after 42 years of service. He continues as a member of the Board

and as Chairman of its Pension Committee. The position of Board Chairman was not filled.

Two Directors were elected to the Board during the year: Lawrence A. Wien, on Nov. 30; and Dr. Courtney C. Brown, on Dec. 28. Mr. Wien is the Senior Partner of the New York City law firm of Wien, Lane & Klein. He is also a well-known realtor, and active in philanthropic work. In addition to memberships on the boards of several public corporations, he serves as Vice Chairman of the Board of

Trustees of Brandeis University and as a Trustee of Columbia University. Dr. Brown is Dean of the Graduate School of Business and Professor of Business Policy at Columbia University. A director of several companies and long-experienced in business, education, and government, he served with the Commodity Credit Corporation and in the Department of State during World War II, and as Assistant to the Chairman of the Board of the Standard Oil Company (New Jersey) for eight years until his



Dr. Brown's position on the Board was previously held by Cecil I. Crouse, a Vice President and the General Attorney of the Company, who will retire as an employee effective April 1, 1966.



Safety Record Improves

Gratifying progress was recorded in our intensive campaign to improve safety practices. Our frequency rate of vehicle accidents in 1965 was the lowest on record, 14% under 1964, the previous low, and a substantial improvement considering that our more than 10,000 vehicles make up the fifth largest fleet in the country. The frequency rate of employee disabling injury accidents declined 6% from 1964 to its lowest point in four years.

In 1965, four of our milk and ice cream plants each received the Borden President's Award for Safety for having completed a million vehicle miles without an accident. The plants are at Phoenix, Ariz., and Dallas, Amarillo and Texarkana, Tex. In January, 1966, the Lake Charles-Lafayette, La., milk and ice cream operations completed one million man hours without a disabling injury, thus winning the President's Award.



Employee Benefits Widen

On May 10, a second offering was made under the Employees Stock Purchase Plan, which stockholders approved in 1964; 13,079 employees subscribed for a total of 398,346 shares, to be paid for by payroll deductions over a 24-month period. At year end, 912,809 shares were

subscribed for under the 1964 and 1965 offerings.

A Group Long Term Disability Insurance Plan was added to the Company's benefits program for U.S. employees on April 1. The plan, to which employees contribute, provides them with partial protection against the financial loss resulting from prolonged periods of disability.

Benefit payments under our Company-sponsored contributory group insurance and retirement income plans rose to \$7,664,808 in the plan year ended March 31. In the preceding plan year, these benefit payments totaled \$6,833,671.

Membership in Borden's Quarter Century Club increased to 7,512, of whom 3,888 are retired employees. There were 302 new members inducted; two employees were honored for 50 years, and 129 for 40 years, of service.



Stock Ownership Broadens

There were 25,658,000 shares of capital stock outstanding on Dec. 31, compared with 24,778,000 on the same date a year earlier, after adjustment for the 2-for-1 stock split. At year end we had 55,392 shareholders of record; there were 51,280 on Dec. 31, 1964.

The average stockholding was 463 shares, compared with 483 shares in 1964. No individual, as a stockholder of record, held as much as 1% of the outstanding stock.

For businesses acquired during the year we issued 833,428 shares of our stock. We also issued 105,506 shares under the Company's stock option plans and 4,190 shares to retired employees and beneficiaries of deceased employees under the Employees Stock Purchase Plan. We purchased 71,649 shares for our treasury.

appointment as Dean in 1954.

Mr. Wien filled the position on the Board previously held by Everett L. Noetzel, Vice President—Finance, who retired on Dec. 1 after almost 40 years with the Company. Succeeding Mr. Noetzel as Vice President—Finance, effective Dec. 1, was Edwin S. Patience, who continues as Treasurer, a position he has held since September, 1962. Mr. Patience joined the Company in 1932, and served as General Controller for four years before his election as Treasurer.

Pickle-packing becomes a year-round operation with adequate storage facilities. At Aunt Jane's Croswell, Mich., plant, green cucumber stock

suited for winter packing is stored in huge salting vats. There are 15 acres of these vats, with a capacity of 35,000,000 pounds of cucumbers.



Litigation

Apart from the normal litigation arising from our day-to-day operations, there were the following significant developments:

The U.S. Supreme Court, on Jan. 19, 1966, heard oral argument on a Government petition to reverse a U.S. Court of Appeals decision handed down in December, 1964, in favor of the Company. The Court of Appeals, at the Company's petition, had set aside a cease and desist order of the Federal Trade Commission, which had ruled that the Company had engaged in unlawful price discrimination in the sale of Borden brand and private label evaporated milk.

The Government, in the time prescribed, failed to appeal a decision of another U.S. Court of Appeals, which, on Dec. 4, 1964, granted a petition by the Company and set aside in its entirety an FTC ruling that the Company had violated the Robinson-Patman Act in the pricing of fluid milk.

In June, a Federal jury in Albuquerque, N. M., acquitted the Company and other dairy concerns of criminal charges of having conspired to fix prices and allocate sales of milk to certain schools in Southeastern New Mexico. A civil anti-trust suit involving essentially the same charges is pending.

The Company and ten other firms were named defendants in a criminal suit, brought in the Federal District Court in Miami, Fla., charging conspiracy to set wholesale and retail prices of milk products sold in the Miami area.

A civil suit for alleged violations of the anti-trust laws was brought in the Federal District Court in Pittsburgh, Pa., against the Company and 43 other defendants.

In the various matters listed above, as well as in several others pending from prior years and referred to in previous Annual Reports, the Company's interests are being vigorously represented.

Complying with the provisions of a consent order issued by the FTC in April, 1964, the Company during the year sold the former Farmers Dairy Management, Inc., Hamilton, O., and in January, 1966, sold the former McCarter's Quality Dairy Products, St. Augustine, Fla. The former Eberhard Creamery, Redmond, Ore., was sold in 1964. The FTC has extended the period in which the Company is to divest itself of five other acquired dairy concerns.

To better serve farm customers with fertilizers, we added 188 sales outlets. To increase corn yield, farmers use specially-formulated Corn Kicker.

Mirra-Coat, a highly specialized feed supplement for pets, is now formulated for horses; even those routinely kept in top condition improve in appearance.



Canadian Business Improves

Aided by higher volume, dollar sales and profits of The Borden Company, Limited, increased again in 1965. The gains were achieved despite narrower profit margins for some principal products and unseasonable weather that prevailed almost throughout the year. A broader product line and improved distribution of grocery items, however, more than offset these unfavorable factors.

A new milk processing plant went into operation at London, Ont., in October. Its opening coincided with the acquisition of the London Pure Milk Co., Ltd., which was founded in 1913 and was the

first dairy in Western Ontario to pasteurize milk.

To meet the increasing demand for grocery products, a new warehouse was built at Ingersoll, Ont., substantially enlarging facilities.

Planning began on a new fluid milk processing and ice cream manufacturing plant at Montreal, Que. To be operated by the subsidiary company, J. J. Joubert, Limitée, it will be completed in time for EXPO '67, the World's Fair which will celebrate Canada's centennial.

Several new products were introduced to the Ontario and Quebec markets during the year, among them fresh milk shakes, a low-calorie fruit drink, three frozen-dessert products, and a non-dairy coffee and tea lightener. Also marketed were 11 new flavors of ice cream.

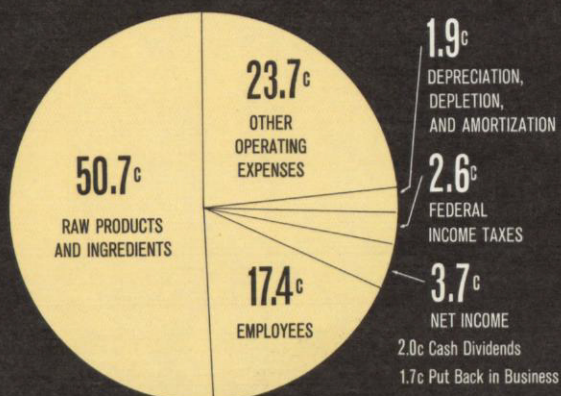
J. R. Shier, Controller, was elected a Vice President and Assistant Treasurer and member of the Board

of Directors of The Borden Company, Limited, in January. On Oct. 1, Jean J. Charest, President, was elected to the additional position of Chairman of the Board, following the retirement of Roy D. Wooster, who continues as a Director.

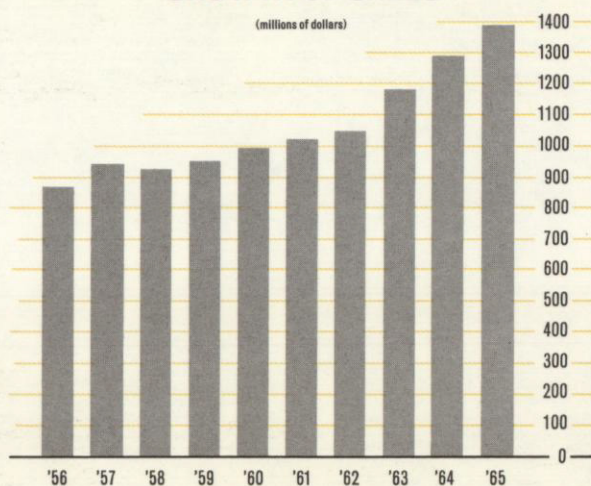
The Borden Chemical Company (Canada) Ltd. completed an expansion of its Resinite packaging film operation at West Hill, Ont. The original plant went into operation in 1964. Scheduled for completion in 1966 are a thermosetting resins plant at Montreal, Que., and a further expansion of film facilities at West Hill.



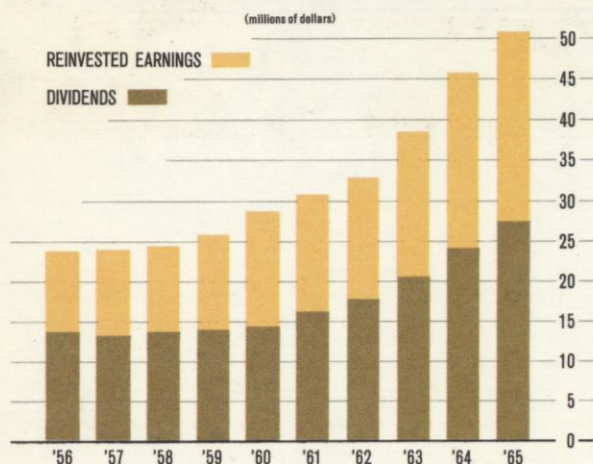
THE SALES DOLLAR *how it was used*



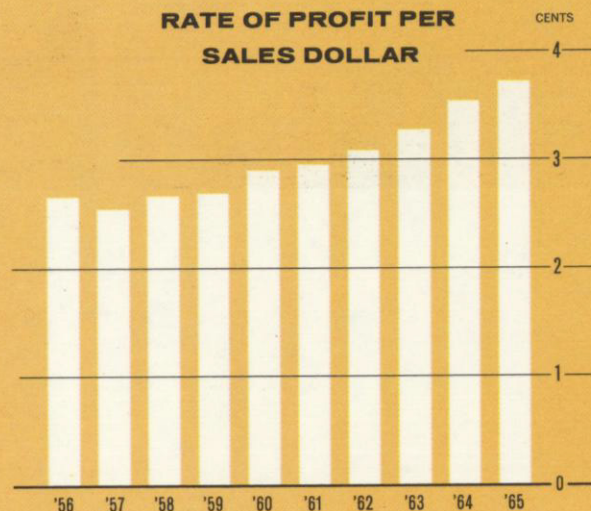
GROWTH OF SALES



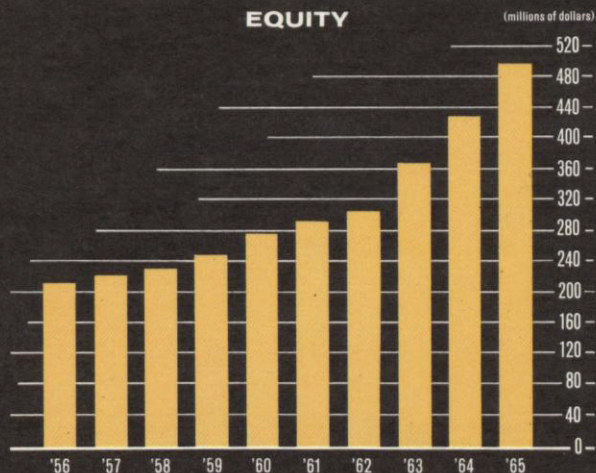
GROWTH OF NET INCOME



RATE OF PROFIT PER SALES DOLLAR



GROWTH OF STOCKHOLDERS' EQUITY



OWNERSHIP OF THE COMPANY*

		STOCKHOLDERS		SHARES	
		Number	%	Number	%
👩	WOMEN	24,466	44.2	6,386,126	24.9
👨	MEN	18,127	32.7	6,992,027	27.3
👪	JOINT ACCOUNTS	6,527	11.8	843,892	3.3
🏠	TRUSTS & ESTATES	3,186	5.8	1,766,745	6.9
🏢	BROKERS, BANKS & NOMINEES	1,420	2.6	7,863,790	30.6
🌐	NON-U.S. SHAREHOLDERS	772	1.4	208,120	0.8
🏛️	CHARITIES, CHURCHES, SCHOOLS, ETC.	322	0.6	182,247	0.7
🏠	INSURANCE & PENSION FUNDS	194	0.3	929,983	3.6
🎓	FOUNDATIONS	78	0.1	292,257	1.1
	ALL OTHERS	300	0.5	192,813	0.8
	TOTAL	55,392	100.0%	25,658,000	100.0%

*Based on "stockholders of record;" does not include unknown numbers of individuals, funds, etc., whose shares are held in names of Brokers, Banks & Nominees.

CONSOLIDATED INCOME AND RETAINED EARNINGS

	Year Ended December 31	
	1965	1964
NET SALES	\$1,385,518,426	\$1,293,439,144
OTHER INCOME	8,459,788	8,635,989
(Includes interest and dividends — 1965, \$6,632,488; 1964, \$7,146,501)		
TOTAL	<u>1,393,978,214</u>	<u>1,302,075,133</u>
LESS		
Cost of goods sold	1,155,816,470	1,076,142,698
Selling, general and administrative expenses and other charges	146,897,147	139,731,108
Interest expense	4,266,530	4,778,851
Provision for U.S. and Canadian federal income taxes . . .	36,085,703	35,936,575
TOTAL	<u>1,343,065,850</u>	<u>1,256,589,232</u>
NET INCOME for the year	50,912,364	45,485,901
RETAINED EARNINGS at beginning of year	245,214,411	223,877,790
TOTAL	<u>296,126,775</u>	<u>269,363,691</u>
DIVIDENDS PAID		
The Borden Company (1965, \$1.09½ a share; 1964, \$1.00 a share)	27,492,631	22,376,859
Smith-Douglass Company, Incorporated (before combination with The Borden Company)	—	1,772,421
TOTAL	<u>27,492,631</u>	<u>24,149,280</u>
RETAINED EARNINGS at end of year	<u>\$ 268,634,144</u>	<u>\$ 245,214,411</u>

See pages 21 and 22 for Notes to Financial Statements.

THE BORDEN COMPANY and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31

ASSETS

CURRENT ASSETS

Cash	\$ 46,294,494	\$ 44,025,363
U.S. Government and other marketable securities (At lower of cost or market)	35,130,885	29,135,520
Receivables	128,692,913	113,632,973
Inventories (At lower of cost or market)		
Finished goods	93,150,860	89,410,170
Materials and supplies	47,311,724	40,455,074
TOTAL CURRENT ASSETS	350,580,876	316,659,100

OTHER ASSETS (At Cost)

Investments and advances		
Foreign subsidiary companies	16,082,756	13,078,164
Domestic associated companies	3,906,063	3,169,730
Securities on deposit (Pursuant to Workmen's Compensation Laws, etc.)	1,570,824	1,804,446
Mortgages, receivables, etc.	12,873,854	11,409,015
TOTAL OTHER ASSETS	34,433,497	29,461,355

PROPERTY AND EQUIPMENT (At Cost)

Land	22,785,266	20,802,318
Buildings	154,517,559	144,046,642
Machinery, equipment, etc.	304,204,033	287,321,423
TOTAL PROPERTY AND EQUIPMENT	481,506,858	452,170,383
Less accumulated depreciation	204,958,644	193,669,714
NET PROPERTY AND EQUIPMENT	276,548,214	258,500,669

DEFERRED CHARGES	7,314,283	8,156,610
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INTANGIBLES	87,698,396	64,109,766
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TOTAL	\$756,575,266	\$676,887,500
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See pages 21 and 22 for Notes to Financial Statements.

December 31

LIABILITIES

CURRENT LIABILITIES

Payables and accrued liabilities	\$ 93,638,993	\$ 87,834,839
Accrued taxes	<u>29,096,205</u>	<u>29,240,409</u>
TOTAL CURRENT LIABILITIES	122,735,198	117,075,248

LONG-TERM DEBT

102,290,000 102,650,000

RESERVES

Deferred federal taxes on income	25,754,352	21,990,887
Insurance, etc.	<u>7,456,542</u>	<u>7,425,264</u>
TOTAL RESERVES	33,210,894	29,416,151

STOCKHOLDERS' EQUITY

Capital Stock — par value \$3.75 per share
Authorized 32,000,000 shares

	<u>1965</u>	<u>1964</u>		
Issued	25,812,337 shares	24,905,212 shares		
Less Treasury stock	<u>154,337 shares</u>	<u>127,212 shares</u>		
Outstanding	25,658,000 shares	24,778,000 shares	96,217,500	92,917,500
Employees' stock purchase installments	15,922,539	4,688,424		
Capital surplus	117,564,991	84,925,766		
Retained earnings	<u>268,634,144</u>	<u>245,214,411</u>		
TOTAL STOCKHOLDERS' EQUITY	498,339,174	427,746,101		
TOTAL	<u>\$756,575,266</u>	<u>\$676,887,500</u>		

STATEMENT OF CONSOLIDATED RESOURCES PROVIDED AND APPLIED

	Year Ended December 31	
	1965	1964
RESOURCES PROVIDED BY		
Net income for the year	\$ 50,912,364	\$ 45,485,901
Depreciation, depletion and amortization	25,813,544	24,796,415
Fair value of stock issued for purchase of businesses	36,555,219	33,701,415
Proceeds from capital stock issued under stock option plans, installment payments under the Employees Stock Purchase Plan, etc.	<u>13,640,016</u>	<u>7,513,223</u>
	<u>\$126,921,143</u>	<u>\$111,496,954</u>
RESOURCES APPLIED TO		
Cash dividends	\$ 27,492,631	\$ 24,149,280
Additions to property and equipment — net	43,861,089	38,362,130
Excess of cost over net assets of businesses acquired	23,588,630	25,028,063
Increase in working capital	28,261,826	10,185,843
Increase in miscellaneous assets and reserves — net	335,072	7,979,598
Decrease in long-term debt	360,000	2,100,000
Capital stock purchased for the treasury	<u>3,021,895</u>	<u>3,692,040</u>
	<u>\$126,921,143</u>	<u>\$111,496,954</u>

See pages 21 and 22 for Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

BASIS OF CONSOLIDATION, ETC.: The consolidated financial statements include all significant domestic subsidiaries and all Canadian subsidiaries. The stockholders approved on April 21, 1965 a 2-for-1 split of capital stock. Where appropriate, retroactive effect has been given to reflect this split in the accompanying financial statements and notes thereto. Net current assets of the Canadian subsidiaries were translated at the rate of exchange prevailing at year end; other assets and liabilities at rates as of dates of origin; and net income items (other than depreciation) at the rate of exchange prevailing at the end of each month. On page 23 appears financial information concerning foreign subsidiaries not consolidated and dividends received from them by the Company.

LONG-TERM DEBT: Obligations were outstanding at Dec. 31, 1965 as follows:

	<i>Long-Term</i>	<i>Due Within One Year</i>
Sinking fund debentures:		
2 $\frac{7}{8}$ %, due 1981	\$38,550,000	—
4 $\frac{3}{8}$ %, due 1991	50,000,000	—
Promissory notes:		
3 $\frac{1}{2}$ %, due 1973	900,000	\$ 50,000
Assumed from acquired companies:		
5 $\frac{1}{4}$ %, due 1978	1,010,000	80,000
5 $\frac{3}{8}$ %, due 1981	11,100,000	300,000
5 $\frac{5}{8}$ %, due 1979	730,000	50,000
	<u>\$102,290,000</u>	<u>\$480,000</u>

The 2 $\frac{7}{8}$ % debenture sinking fund obligation due on March 1, 1966 was satisfied prior to Dec. 31, 1965, by delivery to and cancellation by the trustee of debentures of a principal amount of \$1,250,000. The Company also has purchased, and holds in its treasury, \$3,950,000 principal amount of its 2 $\frac{7}{8}$ % debentures, which are not shown as outstanding. The Company will apply toward the retirement of the long-term principal of the indebtedness not less than the following amounts for the period 1967 through 1970: 1967 and 1968, \$2,680,000; 1969, \$2,980,000; 1970, \$4,030,000.

CAPITAL SURPLUS: Capital surplus was credited during 1965 with \$1,962,572, the excess of the purchase price over par value of 118,221 shares newly issued pursuant to employee stock option and purchase plans, etc., with \$33,129,864, the excess of fair value received over the par value of 44,524 shares reissued and 788,904 shares newly issued for businesses acquired, and with \$300,000 representing an adjustment of a prior year's charge resulting from a

pooling of interests. It was charged with \$2,753,211, the excess of cost over par value of 71,649 shares of capital stock acquired.

STOCK OPTION AND PURCHASE PLANS: At the beginning of the year, 343,286 shares of capital stock of the Company were reserved for unexercised stock options and 97,680 shares were available for the granting of options in the future. During 1965, optionees purchased 105,506 shares, and options for 896 shares were cancelled. Options were granted during 1965 for 82,840 shares. At Dec. 31, 1965, there were 319,724 shares reserved for unexercised options and 14,840 shares were available for the granting of options which were subsequently granted on Jan. 25, 1966. Authority to grant options expires on April 18, 1966. At Dec. 31, 1965, there were also 14,757 shares of capital stock of the Company reserved for unexercised options assumed from a company acquired in 1965.

The stockholders in 1964 approved an Employees Stock Purchase Plan, whereby not more than 1,800,000 shares of capital stock of the Company can be offered for purchase by employees. At the beginning of the year, 595,934 shares had been subscribed to at a price of not more than \$31.45 per share. A second offering under the Plan was made on May 10, 1965 and 398,346 shares were subscribed to at a price of not more than \$39.64 per share. During the year, 4,190 shares were issued under the Plan for retired and deceased participants; subscriptions for 77,281 shares were cancelled. At Dec. 31, 1965, 912,809 shares remained under subscription and 882,567 shares were available for future offerings. Employees' installment payments are reflected in the accompanying consolidated balance sheet as Stockholders' Equity.

DEPRECIATION, DEPLETION, AND RENTALS: Depreciation, depletion, and amortization of property and equipment charged to operations amounted to \$25,813,544 for 1965. Rentals amounted to approximately \$16,600,000 for 1965, of which \$11,300,000 was related to long-term leases that had initial lease periods generally from eight to fifteen years.

DEFERRED FEDERAL TAXES ON INCOME: The Company provides out of income amounts equal to the reduction in federal income tax resulting from the use, for income tax reporting only, of accelerated methods of depreciation. The amount so provided in 1965 and included in the reserve for deferred federal taxes on income amounted to \$3,763,465. The 1965 investment credit of \$3,700,000 was recorded as a reduction of the provision for federal income taxes.

... notes continued

EMPLOYEES RETIREMENT INCOME PLANS: The unfunded lump-sum cost of retirement income for past service under the Company's plans, which is borne by the Company, was estimated to be \$40,729,000 at Dec. 31, 1965.

The charge to operations for 1965 (including \$1,072,000 for the amortization of past service cost) was \$4,729,000. The trust funds under the plans had assets, stated at cost, of approximately \$68,179,000 at Dec. 31, 1965, the aggregate market value being greater than such cost. Since these assets are held in irrevocable trust for payment of retirement income, they are not included in the Company's consolidated balance sheet. The current annual rate of retirement income being paid under the Company's plans is approximately \$2,901,000.

Operations were also charged during the year with approximately \$4,264,000 consisting of payments to pension trusts on behalf of certain employees, covered by collective bargaining agreements, who have elected not to participate in the Company's plans, and of retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plans.

CONTINGENCIES: The Company was guarantor of loans aggregating approximately \$45,900,000 at Dec. 31, 1965. Included therein is \$24,400,000 which represents the Company's portion of guarantees of loans payable by domestic associated companies.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY, NEW YORK, N. Y. 10004

FEBRUARY 23, 1966

To the Stockholders and Board of Directors of The Borden Company:

We have examined the consolidated balance sheet of The Borden Company and Consolidated Subsidiaries as of December 31, 1965 and the related statements of consolidated income and retained earnings and of consolidated resources provided and applied for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings present fairly the financial position of the companies at December 31, 1965 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year; and the accompanying statement of consolidated resources provided and applied presents fairly the information shown therein.

Haskins + Sells

THE BORDEN COMPANY

FOREIGN SUBSIDIARIES NOT CONSOLIDATED

December 31

COMBINED BALANCE SHEETS

	1965	1964
Current assets	\$44,447,175	\$43,783,631
Investments and advances		
Fifty-percent owned companies — equity in net assets . . .	12,518,447	12,061,013
Other	3,099,615	3,060,068
Property and equipment	27,544,750	22,460,402
(Less accumulated depreciation)		
Deferred charges	1,342,120	1,491,971
Intangibles	1,955,434	1,499,231
TOTAL ASSETS	90,907,541	84,356,316
Current liabilities	27,573,019	28,997,529
Long-term debt	9,174,187	8,539,087
Reserves	1,235,613	1,449,138
LIABILITIES AND RESERVES	37,982,819	38,985,754
Net assets	52,924,722	45,370,562
Less minority interest	6,869,209	4,017,255
COMPANY'S EQUITY IN NET ASSETS	\$46,055,513	\$41,353,307

Year Ended December 31

COMBINED STATEMENTS OF INCOME

	1965	1964
Net sales	\$112,044,584	\$95,484,613
Share of net income — fifty-percent owned companies	474,856	653,315
Other income	2,189,089	1,420,781
TOTAL	114,708,529	97,558,709
Less		
Cost of goods sold	86,476,711	73,552,769
Selling, general and administrative expenses and other charges	16,750,693	14,515,369
Interest expense	1,825,351	1,622,708
Provision for foreign taxes	2,600,876	2,243,983
TOTAL	107,653,631	91,934,829
Income before unrealized exchange loss	7,054,898	5,623,880
Less minority interest	551,013	(356,034)
COMPANY'S EQUITY	6,503,885	5,979,914
Company's portion of unrealized exchange loss — subsidiary and fifty-percent owned companies	903,280	1,892,008
COMPANY'S EQUITY IN NET INCOME	\$ 5,600,605	\$ 4,087,906
Dividends to the Company	\$ 3,902,991	\$ 3,963,516
Less U.S. income tax applicable thereto	706,047	1,198,679
Remainder included in Company's net income	\$ 3,196,944	\$ 2,764,837

The above combinations include the financial statements of all majority-owned subsidiaries. The various foreign currencies were translated generally into their U. S. dollar equivalent in accordance with the practice for Canadian subsidiaries referred to in the Notes to Financial Statements on page 21.

THE BORDEN COMPANY and Consolidated Subsidiaries

TEN YEAR SUMMARY

OPERATING (thousands of dollars)

	Net Sales	Payrolls	Taxes (U.S. & Canadian Federal Income)	Depreciation, Depletion, and Amortization	Net Income	Per Sales Dollar	Per Share*	Cash Dividends	Per Share*
1965	\$1,385,518	\$240,832	\$36,086	\$25,814	\$50,912	3.67¢	\$2.03	\$27,493	\$1.09½
1964	\$1,293,439	\$231,975	\$35,937	\$24,796	\$45,486	3.52¢	\$1.87	\$22,377	\$1.00
1963	\$1,183,861	\$212,179	\$33,625	\$22,681	\$38,629	3.26¢	\$1.64	\$19,107	\$.88¾
1962	\$1,047,902	\$193,460	\$29,110	\$17,846	\$32,354	3.09¢	\$1.53	\$17,998	\$.85
1961	\$1,009,665	\$191,863	\$28,631	\$17,448	\$30,082	2.98¢	\$1.42	\$15,451	\$.75
1960	\$ 990,971	\$190,833	\$26,324	\$15,494	\$28,720	2.90¢	\$1.38	\$14,857	\$.75
1959	\$ 941,326	\$178,847	\$23,728	\$15,057	\$25,548	2.71¢	\$1.31	\$13,696	\$.70
1958	\$ 915,024	\$178,811	\$21,632	\$15,393	\$24,612	2.69¢	\$1.27	\$13,614	\$.70
1957	\$ 931,220	\$178,034	\$22,146	\$15,573	\$23,996	2.57¢	\$1.24	\$13,123	\$.67½
1956	\$ 876,987	\$164,966	\$20,951	\$15,130	\$23,602	2.69¢	\$1.21	\$13,216	\$.67½

FINANCIAL (thousands of dollars)

OTHER

	Working Capital	Current Ratio**	Inventories	Property and Equipment	Accumulated Depreciation	Net Property and Equipment	Long-Term Debt	Stockholders' Equity	Number of Stockholders	Number of Employees
1965	\$227,846	2.86:1	\$140,463	\$481,507	\$204,959	\$276,548	\$102,290	\$498,339	55,392	37,045
1964	\$199,584	2.70:1	\$129,865	\$452,170	\$193,670	\$258,500	\$102,650	\$427,746	51,280	36,024
1963	\$189,398	2.75:1	\$112,491	\$424,521	\$179,586	\$244,935	\$104,750	\$368,887	48,566	34,348
1962	\$165,068	2.97:1	\$ 93,373	\$367,284	\$158,626	\$208,657	\$ 94,800	\$305,920	48,919	30,994
1961	\$177,314	3.13:1	\$ 85,639	\$348,388	\$154,171	\$194,217	\$ 96,100	\$294,125	49,524	32,128
1960	\$132,815	2.67:1	\$ 80,959	\$329,634	\$148,407	\$181,227	\$ 47,150	\$276,096	48,954	33,154
1959	\$124,418	2.71:1	\$ 69,516	\$305,407	\$142,375	\$163,032	\$ 48,200	\$245,570	47,942	32,165
1958	\$124,255	2.67:1	\$ 67,011	\$292,358	\$139,211	\$153,146	\$ 50,250	\$231,904	48,358	33,718
1957	\$121,102	2.68:1	\$ 65,043	\$282,469	\$135,517	\$146,951	\$ 52,825	\$221,095	48,537	35,058
1956	\$118,232	2.67:1	\$ 62,167	\$266,579	\$127,647	\$138,932	\$ 52,625	\$212,629	48,488	34,160

*Adjusted for 4% stock dividend in 1958 and 2-for-1 stock splits in 1960 and 1965.

**Ratio of current assets to current liabilities.

